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International Symposium of State Trading Organizations of Developing Countries

Ljubljana, Yugoslavia, 29 March - 2 April 1982

A SYNOPSIS OF STATE TRADING ORGANIZATIONS (STOs) ACTIVITIES IN AFRICA

(Note by ECA secretariat)

X82-704

STATE TRADING ORGANIZATIONS (STOs) IN AFRICA

I. General Background to African STOs

1. The rise in the tempo of State Trading Organizations' activities in a majority of African countries is partly a result of the attainment of political independence in the 1960s. This is evident from the reformulation of legislation aimed at indigenization of the economies because the struggle for political independence carried with it the promise of a better and more abundant life for all, of a just and egalitarian society and of a bright future full of opportunities[1/]. Consequently, there have emerged numerous sectoral public enterprises which are charged with the responsibility of managing a variety of economic activities.

2. The establishment of state trading organizations in most developing African countries, has been influenced by the need to achieve the following objectives:

(i) to promote national self-reliance in strategic economic sectors;

(ii) to prevent the concentration of economic power especially in the field of trade, in the hands of a few individuals;

(iii) to manage efficiently the country's resources and human resources;

(iv) to reinforce social control on trade and industry as away of ensuring an equitable distribution of goods and services especially between the urban and the rural areas;

(v) to improve the trade balance, especially where imports tend to far exceed the country's export earning capacity;

(vi) to control and regulate the intermediaries, especially where their activities tend to make it difficult to attain a reasonable level of price stabilization;

1/ The African Association for Public Administration and Management, Adebayo Adedeji (ed.), Indigenization of African Economies, Hutchinson University Library for Africa, London, 1980.

(vii) to provide the necessary commercial infrastructure for promoting a balanced and diversified economic structure so as to enable the indigenous entrepreneur to make more positive contribution to the national economy.

3. The African STOs are by definition owned and directly controlled by their respective governments. In some countries, however, there are instances where governments invite the participation of private interests, mostly from abroad, because of the need to attract foreign capital and/or expertise.

4. The relative importance of foreign and domestic operations of the STOs vary from country to country. In some countries the major share of external trade is handled by their STOs, while in the others the private sector tends to dominate. The role played by STOs in internal distribution depends also on the country in question. It can either be negligeable (Nigeria) or quite substantial (Mali, Niger) or exclusive (Zambia, United Republic of Tanzania).

II. African STOs as Export instruments

5. The significance of STOs as export instruments was in fact underlined by the participants to the African Regional Meeting on Economic Co-operation among Developing Countries (ECDC) held at Addis Ababa from 7 to 18 December 1979[2/]. The meeting further reiterated the importance of STOs in promoting co-operation of African countries with other developing countries. However the inadequacy of human and financial resources in relation to the objectives assigned to the State Trading Organizations and the cumbersome nature of their decision-making process cause them to be less effective in this field.

2/ ECA, Report of the African Regional Meeting in preparation for the Interregional Meeting of the Group of 77 on Economic Co-operation among Developing Countries, E/CN.14/RP.1/115 & Corr.1

6. It is partly against the above background that ECA deems it necessary that a concrete framework should exist to enable these institutions to be instrumental in promoting beneficial mutual trade. In this regard, STOs should consider the following measures:

(i) entering into long term contracts with each other in regard to bulk purchases;

(ii) designating each other as agents to deal with private partners in their respective countries;

(iii) granting each other preferential and priority trading partner treatment, especially to those in the least developed countries;

(iv) the possibility of establishing joint trade intelligence offices at carefully selected locations;

(v) expanding co-operation among themselves by increasing the exchange of experiences;

(vi) collaborating neighbouring States of subregional and/or regional economic groupings could establish common storage facilities in carefully selected locations;

7. Similarly, action should be taken to ensure that STOs which are major exporters of non-traditional products, should take joint measures to promote those exports. For instance, they should create permanent exhibition centres, publish advertising material and participate in trade exhibitions and fairs. They could also set up joint marketing groups which would, among other things, negotiate directly with the main overseas bulk purchasers.

8. There is a need for other measures including, in particular, the improvement of transport and telecommunications infrastructure and the establishment of payments, insurance and credit and financing arrangements among developing countries.

9. Developing regions of Latin America and Asia who with the financial support of UNDP have had an opportunity of regional meetings of STOs will attest to the benefits derived, especially in terms of sharing experiences and laying the foundations for promoting co-operation among developing countries. Unfortunately,

the same cannot be said for the countries of the African region to whom such assistance has not been extended in this field. It goes without saying that Africa in which is to be found the majority of the UN designated least developed countries should also be assisted to hold its own regional seminar. ECA in collaboration with the Organization of African Unity (OAU) and UNCTAD have already initiated work on establishing an Association of African STOs under whose auspices a system of periodical meetings among African STOs could be undertaken.

III. The Case of Sugar Exports

10. Perhaps one illustrative example in this field from the African stand point could include consideration of aspects of sugar exports. African sugar production is very small as compared to the world production. In 1979, Africa produced 38,880,000 tonnes equivalent to only 4.37 per cent of total world production estimated at about 88,760,000 tonnes.

11. Production and export of sugar in Africa is regionally unbalanced. There are 3 producers in North Africa consisting of Egypt, Morocco and Sudan. However, none of these are sugar exporters. In West Africa sugar is produced mainly by Niger but the country is also a net importer of the same commodity. Other West African countries are the Ivory Coast and Nigeria. In Central Africa it is Congo, Zaire and Rwanda but production is not sufficient to meet total domestic production. Thus, the main African sugar producers are those in the Eastern and Southern Africa subregion comprising Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Somalia, and Swaziland. In these countries, revenue from exporting sugar represents 12 per cent, 67 per cent,15 per cent and 37 per cent respectively of their export earnings.

12. On the basis of information derived from studies carried out by UNCTAD in the following selected countries: Mali, Niger, Senegal, Congo, Chad, Tanzania,

Zambia, Kenya, Nigeria and Ghana, it was shown that sugar in these countries was imported by at least one STO.[3/] The biggest importers are countries in West Africa where there are very few producers apart from Niger.

13. One can identify several common elements to both exporters and importers of sugar in the African region. The fact that some developing African countries have a considerable sugar production deficit should be ground enough for sugar importing STOs to organize themselves at subregional level in order to draw maximum advantages from their purchases. For example, in Western Africa, STOs in Senegal, Mali, Niger, Ghana, Nigeria should:

(a) establish common storage facilities;

(b) buy and transport jointly their purchases which in itself could lead to:

(i) economies of scale from the purchase of large quantities and the use of joint transport facilities;

(ii) increased negotiating power of their STOs vis-a-vis suppliers and hence more advantageous prices;

(iii) positive impact on the individual consumer because by getting the sugar at the lowest possible price.

14. Governments in the subregion concerned could help their STOs in carrying out the above by:

(i) giving their STOs priority in obtaining convertible currency to settle their purchases;

(ii) granting tariff exemptions to sugar imported from STOs in the other developing regions;

3/ UNCTAD, Co-operation among State trading organization of sub-Saharan African developing countries, TD/B/C.7/18; Co-operation among State trading organizations of developing countries in English-speaking Africa, TD/B/C.7/18 Add.1; Cooperation among State trading organizations in French-speaking Africa South of the Sahara, TD/B.C.7/18 Add.2 and Corr.1.

(iii) ensuring rapid and reliable communication so as to assist their STOs to become effective instruments for promoting economic co-operation among developing countries;

(iv) assisting them in such other fields as telecommunications, payments arrangements, insurances, trade financing and management, etc.

15. It is partly due to the lack of the above facilities that there is not much trade in sugar between the producing Eastern and Southern African subregion and the deficit non-sugar producing West African subregion countries.

IV. Perspectives for African STOs

16. There are several ways of using STOs to achieve economic objectives at national subregional, regional and interregional levels. STOs in developing countries should be able to offer good opportunities in furthering the implementation of trade policies, both within the wider context of the New International Economic Order (NIEO) and towards collective economic self-reliance among developing countries. However, this identified potentiality would depend on whether the respective developing countries are committed to exploiting them to the full.

17. The role of STOs at interregional level was reiterated at the Conference of the Group of 77 on Economic Co-operation among Developing Countries held in Mexico City from 13 to 22 September 1976. This same view has been upheld at subsequent meetings of developing countries. Work on exploring further the great potential of STOs within the context of interregional co-operation has already been initiated at several levels. Additional reinforcing factors for some of this work include the various terms of reference under which the United Nations System operates and not to mention the work approved by the Committee on Economic Co-operation among Developing Countries.

18. The Assembly of Heads of State and Government of the Organization of African Unity during its Second Extraordinary Session devoted to economic problems in Africa in Lagos, Nigeria, from 28 to 29 April 1980 recommended among other things that "Associations of State trading organizations should be established at the subregional level which should evolve into an African Association of State Trading Organizations not later than the end of 1985, with a view to harmonizing their operational policies and procedures and agreeing on the joint procurement of selected key imports among the countries concerned".

19. It is therefore necessary in this regard to formulate appropriate strategies linking STOs at the interregional level while taking into account certain fundamental differences among different countries. For one thing, it might be advisable to start paying closer attention to aspects that are likely to keep them apart. But this is not to suggest that we should neglect strengthening or exploiting areas with an already identified potential. In this connection also it would be in order to devise ways of encouraging bilateral and multilateral contacts at interregional level.

20. Several obstacles apart from the few listed above prevent African STOs from fulfilling their mission. These include inter-alia: (a) the difficulties associated with the lack and shortage of manpower skills. These skills are necessary not only to control but also to arrest possible declines in efficiency of productivity; (b) the difficulties of raising sufficient capital for expanding each of these enterprises, especially where it is a question of buying out expatriate ownership. In other words, indigenization of the sector; (c) the inability of STOs to take advantage of the forward and backward linkages with other sectors within the economy; (d) failure of emerging new STOs to borrow or profit from the experience of older STOs within the same region or elsewhere. However, Nigeria has, in recent years, profited from the assistance and expertise of the sugar industry of Mauritius in establishing and running her new sugar projects.

Conclusions

21. It can be stated in conclusion that the ultimate objective of co-operation between and among STOs is the promotion of mutual economic and technical co-operation. Another objective of STOs is to assist Governments in the identification and formulation of joint activities aimed at promoting a greater exchange of goods and services among the African countries. STOs could therefore be effective instruments for the promotion and expansion of intra-African trade. Consequently, greater priority should be given to devising effective arrangements and for developing or strengthening institutional machinery for co-operation among the African STOs. Once this is achieved, the next phase would be interregional co-operation among STOs in Africa, Asia and Latin America.

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(Note by the OAU and ECA secretariats)

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I. INTRODUCTION

A. Background

1. About 4 years separate the second from the first meeting of the Working Party on Trade Expansion and Economic Integration among Developing Countries which was held in Geneva in April 1978. This interval may seem to be relatively short, but many interesting developments took place during this period. Thus, several other forums have addressed themselves to the same issues. Some of these forums have used the conclusions of the first meeting in charting out their future course of action. One such important forum was the Second Extraordinary Session of the OAU Assembly of Heads of State and Government, devoted exclusively to economic problems of Africa. The first preambular paragraph of the Lagos Plan of Action (LPA) reiterates in very clear terms the African view point. There is therefore no mistaking the African disenchantment with world economic trends and the effect of unfulfilled promises:

> "The effect of unfullfilled promises of golobal development strategies has been more sharply felt in Africa than in the other continents of the world. Indeed, rather than result in an improvement in the economic situation of the continent, successive strategies have made it stagnate and become more susceptible than other regions to the economic and social crises suffered by the industrialized countries. Thus, Africa is unable to point to any significant growth rate, or satisfactory index of general well-being, in the past 20 years. Faced with this situation, and determined to undertake measures for the basic restructuring of the economic base of our continent, we resolved to adopt a far-reaching regional approach based primarily on collective self-reliance". 1/

1/ OAU, Lagos Plan of Action for the Economic Development of Africa 1980-2000, p.5, para.1.

2. The economic performance of most African countries during the last decades confirms the view expressed above. It was both quite mixed and protracted. In other words, only a few African countries can claim to have registered any satisfactory economic performance. And these were principally the oil exporting countries because of the continued world demand for that particular product. In recent years, however, these countries have had to cope with a sharp fall in the demand for oil in the industrialized countries.

3. Along with the above have been other observed trends. For instance, the continued fall in the export prices of most non-petroleum commodities. These are the products which basically constitute the life-line of all non-oil African countries. Over and above is the persistence of an unstable and precarious food situation in Africa. On the basis of available data, the per capita food production over the past ten years is observed to have declined at the rate of 1 per cent per annum[2/].

4. Another significant development in most developing countries is increased direct government involvement in their respective economies. This has grown quite significantly with the advent of political independence. Developing countries belief in the merits of public sector involvement is partly a result of the need to ensure a degree of balanced economic development. Consequently, governments in most of these countries are now responsible for a large, if not dominant share, of most national activities. They have become instrumental in the creation and/or the downfall of economic groupings just as they are responsible for the bulk of the investment at the national level.

5. It is with this background in mind, and in full awareness of Africa's own experience, short as it may be, that we need to examine anew, the essence of economic integration groupings among developing countries.

2/ ECA, Survey of Economic and Social Conditions in Africa 1980-1981, doc. E/ECA/CM.8/17, p.6.

6. In addition, it will be recalled that the seventh session of the Conference of African Ministers of Trade met in Addis Ababa from 1 to 3 February 1982 and decided to adopt recommendations reiterating the wishes of the African Heads of State and Government with regard to the participation of African countries in activities of economic co-operation among developing countries (ECDC). The ensuing recommendation emphasised the need for effective assistance of the secretariats of both the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA) to the African countries.

7. It was in line with the above and also the declared position in the Lagos Plan of Action as well as pursuant to UNCTAD resolution 127(V)[3/] that, ECA, in close collaboration with the OAU, undertook a fact-finding mission on behalf of both secretariats to a selected number of secretariats of African economic groupings between February and March 1982.

8. The findings of this mission, along with our perception of the agenda of the UNCTAD sponsored second meeting of the Working Party constitute additional elements of the background to the following analysis.

B. Purpose

9. It will be recalled that the Second session is intended to enable the secretariats of economic groupings to exchange experiences regarding co-operation schemes and problems encountered in their implementation. This document accordingly provides an account of certain recent developments within Africa in this field. Secondly, it reviews certain interregional or global trends relating to Africa's co-operation with other developing countries. Thirdly, an attempt has been made to examine anew, on the basis of the African experiences, the foundations of economic co-operation both in the medium and long term. Along with the above,

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3/ UNCTAD res.127(V) on Economic Co-operation among Developing Countries, particularly operative paragraph 10.

the two secretariats also tried to consider possible concrete measures for achieving these objectives. In this respect, they have indicated the kind of assistance that can be expected from regional and international agencies such as the OAU and ECA.

II. TRENDS OF SUBREGIONAL, REGIONAL AND INTERREGIONAL CO-OPERATION

10. Economic co-operation among developing countries is no longer an issue which generates diverging views. Not even as a mere concept does it give rise to much opposition among participating member States or on the part of third parties. Perhaps it is on some related issues of a very specific kind that attention should now be focused. These could include the question of sectoral involvement both by country and activities. This is particularly important because both the existing and envisaged economic groupings are basically a voluntary act of the respective member States.

A. Subregional co-operation trends

11. There is no question that the fragmentation of Africa into small national markets has to a certain extent aggravated the region's economic conditions or at least not made it possible for individual countries nor for the Region as a whole to realized and exploit their full potential. However, it has become quite evident that African policy-makers have also awakened to the dangers of allowing this trend to go unchecked.

12. Furtunately, there have been some encouraging developments. For instance, 1981 saw the achievement of a major breakthrough in the development of larger African markets through multinational regional co-operation. This was evidenced in the case of countries belonging to the Eastern and Southern African subregion as well as in that of the countries located in the Central African subregion.

13. Thus, the Treaty establishing a Preferential Trade Area for the Eastern and Southern Africa (PTA) was signed in Lusaka on 21 December 1981, after almost four years of intensive negotiations by the 18 countries of the subregion under the aegis of the Economic Commission for Africa. At least 11 countries had signed the Treaty at the time of writing.[4/] Another country namely Zimbabwe had also announced its readiness to sign the Treaty and it is hoped that more will join in the near future.

14. The signing of the Treaty marks a decisive step in establishing a new system of economic relationships within the context of ECDC both regionally and interregionally. Indeed the fundamental objective of the PTA is the promotion of collective self-reliance which, as is well known also happens to be the basic principle behind ECDC. The Treaty itself and its annexed protocols provide not only for the liberalization of trade but also for co-operation and intercountry specialization in the development of basic and strategic industries, production of food crops and livestock, development of science and technology, human resources development and the creation of an intercountry transport and telecommuncations network.

15. Another encouraging development was the signing by eleven Heads of State and Government of Central Africa of the Libreville Declaration of 19 December 1981 whereby they agreed to set in motion the process for the establishment of an Economic Community for Central African States.

16. Trends in this field for the other African subregions also show a marked degree of progress towards attaining their respective primary goals. For instance, there was modest progress within the Economic Community of the Great Lakes Countries (CEPGL) comprising Burundi, Rwanda and Zaire towards the achievement of closer subregional co-operation and integration. During the 1979-1980 period, the CEPGL secretariat and the Cisenyi-based MULPOC with the financial support of

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4/ The Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Somalia, Swaziland, Uganda and Zambia.

UNDP, worked hand in hand in the execution of projects of common interest to the subregion. These include projects relating to the exploration of methane gas for industrial purposes from Lake Kivu.

17. Furthermore, studies were conducted on the establishment of clearing and payments arrangements, the harmonization of customs regulations and investment incentives in the CEPGL countries. Some of the recommendations in the above studies are in the process of being implemented with a greater possibility for enhancing economic co-operation and integration, bringing these three countries closer to a subregional common market.

18. Efforts towards strengthening economic co-operation and integration in the West African subregion continued to gather momentum among the secretariats of economic groupings, especially involving the Economic Community of West African States (ECOWAS), West African Economic Community (CEAO), the Mano River Union (MRU) and the West African Clearing House (WACH). The first three in close collaboration with the Niamey-based MULPOC devoted considerable resources to the harmonization of customs regulations among themselves. Furthermore, action has continued to be taken at the subregional level on co-ordination and harmonization of the activities of West African intergovernmental organizations.

19. The secretariats of the West African Clearing House and the Mano River Union (MRU) continued to contribute in this field through sponsoring a series of seminars. The objective of these efforts is to enhance economic co-operation not only among their member States but also with other secretariats within and outside the subregion. Thus, the MRU continues to collaborate with the West African Rice Development Association (WARDA) just as it does with secretariats such as WACH, CEAO and ECOWAS at subregional level.

20. Progress towards closer economic co-operation and integration in North Africa proceeded rather hesitantly. This was inspite of the efforts and contribution of the Tangier-based MULPOC. Lately, however, some progress was made at the meeting of

Plenipotentiaries of North African countries held in Tangiers, where agreement was reached on a work programme including inter alia, trade promotion.

B. Regional Co-operation trends

21. There have been several pace setting activities towards regional economic co-operation and integration in the period since the first meeting of the Working Party. Most significant events were (a) the convening in February 1979 of the Monrovia Symposium on the Future Development Prospects of Africa Towards the Year 2000, and (b) adoption by the African Heads of State and Government of the Lagos Plan of Action for the Economic Development of Africa.

22. The significance of the former lies in having created an opportunity in which discussions were held on fundamental components of the New International Economic Order (NIEO) from an African standpoint. Secondly, it allowed for uninhibited stocktaking of the African situation which was necessary in laying the foundations for a new development decade. The Colloquium set off a chain of official deliberations which culminated in the Lagos Economic Summit. In between these two events were the 32nd OAU Ordinary Council of Ministers in Nairobi in February 1979, the sixth ECA Conference of Ministers in Rabat in March 1979, the 16th OAU Summit in Monrovia in July 1979 and several sectoral preparatory meetings between October 1979 and April 1980.

23. The Lagos Plan of Action on the other hand, provides a blueprint of self-reliance at regional level. It was a step in the right direction. First it exposes not only Africa's main weaknesses but also provides for future confidence. It is thus quite explicit about the nature of Africa's state of underdevelopment as not being natural, and basically caused neither by backwardness nor the shortage of resources.

24. Perhaps the most significant element in the Lagos Plan of Action is the recognition and acceptance by the member States of a certain endogenous course of action. For instance, their agreeing individually and together about "the need to take urgent action to provide the political support necessary for the success of the measures to achieve the goals of rapid self-reliance and self-sustaining development and economic growth" in future. It is partly against the above background that the African governments pledged themselves to establish national, subregional and regional institutions which are to facilitate the attainment of objectives of self-reliance and self-sustainment.

25. There are also other equally important elements in the Lagos Plan of Action which have both a direct and indirect bearing on Africa's economic relationship with other developing countries. This is particularly true in respect of the Final Act of Lagos and Annex III which address themselves in a resolution form on the participation of Africa in international negotiations. There is therefore a recognition of the importance of international economic negotiations in dealing with the socio-economic development of Africa. It also emphasizes the need for an active and co-ordinated participation of African countries in the activities of the Group of 77 in order to strengthen the African negotiating power and of participation of the Group of 77 in international economic negotiations.

26. Efforts to promote regional economic co-operation and integration are exerted in several ways. Thus, the ECA secretariat, in collaboration with the secretariat of the OAU, convened two successive meetings of Chief Executives of ECA-sponsored regional and subregional institutions. The Conference has now become a regular feature. It provides for an exchange of information among the secretariats. Recognition of the importance of this forum received strong support of the ECA Conference with the adoption of resolution 409(XVI). The resolution stresses the promotion and strengthening of institutions as being very important matters affecting the implementation of the Lagos Plan of Action.

27. Contacts with and visits by the OAU/ECA mission to a few selected secretariats of African economic groupings revealed a paucity of contacts between some of them. However, there was no mistaking their desire to strengthen co-operation and frequent contacts at the secretariat level.

28. As a result, African secretariats of economic groupings have been able to profit from the experience of others, especially in tackling problems which had earlier faced their counterparts. Others among them have been able to agree on sharing the cost of common facilities. For instance, the Mano River Union and ECOWAS agreed to use the same customs, training facilities. The same obtains for the West African Clearing House and the Mano River Union with regard to utilization of interpretation equipment for their respective meetings. Others such as the African Centre for Monetary Studies (ACMS) undertake to organize annual or biannual seminars or symposia on specific research topics which are intended to benefit most of the African economic groupings, and to undertake consultancy work on behalf of other secretariats within the African region.

C. Interregional co-operation trends

29. Interregional economic integration and/or co-operation is a sum total of bilateral and multilateral activities at subregional and regional level. This in itself begs several interrelated questions. For instance, the need to reconcile the various diverse interests not only among the member States but also those of third parties, especially given the nature of global interdependence. Perhaps the deliberations and conclusions of the first Working Party on Trade Expansion and Regional Economic Integration among Developing Countries could be used as a cut off point for purposes of this exercise.[4/] It emphasised a unique character because for the first time ever, secretariats of subregional and regional economic groupings from the developing world came together and deliberated on how to fulfill major tasks set by their governments.

4/ TD/B/702, TD/B.C.7/9 Report of the Working Party on Trade Expansion and Regional Economic Integration among Developing Countries, Geneva, 10-18 April 1978.

30. The Working Party reviewed in a rather broad manner, issues pertaining to (a) Guidelines for establishing co-operative arrangements among secretariats of regional and subregional groupings and international organizations to strengthen subregional, regional and interregional economic co-operation and integration among developing countries; (b) Institutional and co-ordination arrangements; and (c) organizational matters.

31. Many African economic groupings have since the advent of the first Working Party participated in various ECDC activities of an interregional kind either bilaterally or multilaterally. Others among them have not participated directly, but they have not been spared the impact of decisions of those meetings.

32. Perhaps the most well known among these activities and of direct and indirect relevance to most African countries are those deriving from the first Short Medium-Term Action Plan for Global Priorities on Economic Co-operation among Developing Countries adopted and reviewed at the Fifth Ministerial Meeting of the Group of 77, which called for specific in priority areas[5/] of economic co-operation among developing countries in the context of specific principles and objectives.

(a) The global character of ECDC activities

33. Events over the past few years are a clear testimony of the commitment of several regional and global agencies, such as the United Nations Conference on Trade and Development (UNCTAD) to ECDC objectives. Some of the events provide a necessary background to the objectives and strategies themselves which, over and above, constitute the cornerstones in this field.

5/ (a) A global system of trade preferences among developing countries (GSTP).
(b) Co-operation among State Trading Organizations (STOs), and (c) establishment of multinational marketing enterprises (MMEs), etc., strong emphasis was also laid on intensifying financial and monetary co-operation among developing countries.

34. It is partly against the above background that many developing countries have tended to view the Programme for Collective Self-Reliance as part and parcel of overall efforts aimed at restructuring international economic relations, indeed as an instrument to this end.

35. It can therefore be presumed that African countries participated in ECDC activities both under the aegis of UNCTAD and the G.77 in the light of the above view point. The studies prepared under the aegis of UNCTAD and the joint OAU/ECA secretariats were in response and pursuant to ECDC resolutions. For instance, areas covering a generalized system of trade preferences among developing countries (GSTP), co-operation among state trading organizations (STOs) and establishing multinational marketing enterprises (MMEs).

36. The various studies and subsequent meetings relating to ECDC have helped, to a large extent, in analysing certain specific problems. However, their very global nature tended to obscure or minimize certain important topics of interest to individual groupings. At times as was confirmed by one secretariat of an African economic grouping, decisions are taken at the global level which indirectly affect groupings which were not party to the negotiations in question. In other words, there is quite frequent replay of the dictum "taxation without representation" from the point of view of many of these secretariats.

37. This obtains particularly in the case of the GSTP. The points at issue are the likely adverse effects to intra-economic groupings' trade, especially where protocols exist on elimination of tariff barriers to their trade exchanges. Countries of the Eastern and Southern African States aim at creating and strenghthening a preferential trade regime. It is therefore quite understandable if such economic groupings express strong reservations about decisions taken at the global level which cut across their objectives especially as they (i.e. these groupings) are not even part of the negotiating machinery which bring such arrangements into being.

38. Some other very serious limiting factors which appear to constitute serious obstacles to Africa in general in joining a GSTP were the subject of the earlier OAU/ECA paper[7/].

39. One of the main underlying rationale for the establishment of a GSTP is that it could hopefully result in overall trade expansion rather than in a total diversion of trade from the developed to the developing countries.

40. It is partly for this reason that the concluding part of this paper covers and most of the ongoing activities relating to STOs and MPEs. It then proceeds to delve more analytically in other equally important areas. These include the questio of multilateral production enterprises (MPEs) among developing countries and such other issues as specialization, complementary of production factors, market sharing to mention but a few examples.

41. It has been pointed out earlier that economic activity in a majority of Afric countries is dominated by the State. The commonest instrument in the commercial field tends to be the use of State trading organizations (STOs).

42. Some of these STOs are designed as instruments for promoting the economic policies of the countries concerned. They are therefore mandated with the control of exports and imports, optimal utilization of scarce or available foreign exchange resources, the supply and distribution of essential commodities and price stabilization.

43. This kind of background makes it imperative for secretariats of the economic groupings to study and also understand the overall behaviour and role of STOs. Ways should furthermore continue to be devised to strengthen links between and among STOs in order to promote both intra-economic grouping and inter-economic grouping co-operation in a variety of fields.

7/ Doc. E/CN.14/MP.1/116, A note by the OAU/ECA secretariats, paras. 17 to 35.

44. It has been shown in various studies that there is tremendous scope for STOs just as there is for the PTs in promoting economic co-operation among developing countries.

45. Another global activity in which secretariats of African economic groupings have actively participated is in the field of money and finance. The most active of these secretariats have been the West African Clearing House, the African Centre for Monetary Studies, Banque Centrale des Etats de l'Afrique de l'Ouest(BCEAO) and the Economic Community of the Great Lakes (CEPGL). The main forum as the search continues for ways and means to implement the programme of collective self-reliance has been the Co-ordination Committee on Multilateral Payments Arrangements and Monetary Co-operation among Developing Countries.

46. It is therefore quite clear in the light of the above that African participation in ECDC activities, especially in the financial area is motivated by several factors. First is their belief in the objectives of the Committee as a step in the right direction. Secondly and related to the first may be because its activities provide a process for gradual linking of monetary co-operation arrangements at the inter-regional level among developing countries. It is also evident from the views expressed by many of them that they view this forum as being capable of gradually promoting linkages within a global strategy for the expansion of trade.

47. The Committee provides yet another avenue for the consideration by officials directly concerned with a number of substantive matters related to such co-operation arising from decisions adopted by the Group of 77.

48. Perhaps there is a need to stress other equally important aspects of the Committee's work. At this moment in time, it should not confine its activities to the mere exchange of information nor to the analysis of the experience of the different arrangements in their respective regions. Rather, it should assist in publicising as widely as possible among secretariats of economic groupings, on a regular basis, those experiences which have reaped good results.

(b) African secretariats' experiences of ECDC global contacts

49. The results of the joint OAU/ECA mission to the headquarters and corresponding meetings with secretariats of several African economic groupings provide a fair picture of the extent of contacts between these African institutions and others in the Third World. The extent and their possible impact on strengthening economic co-operation is difficult to quantify because of the paucity of information.

50. It is not possible nor is the intention to give a full and detailed account of most of the contacts established or envisaged by the secretariats of African economic groupings within the context of ECDC. What is being attempted is to draw lessons of the merits of such contacts for possible follow-up action.

51. The general impression gained is that contacts between secretariats of the African region with their counterparts in the other developing regions are relatively far in between. It is also clear as a result of the investigations conducted by the joint OAU/ECA secretariats that some among them have taken the initiative of making interregional contacts. But most of these initiatives are partly a result of material assistance offered by certain international organizations. In particular, financial assistance given by the United Nations Development Programme (UNDP) in collaboration with both UNCTAD and ECA.

52. In the period under review, a number of executives of African secretariats of economic groupings have received considerable assistance in establishing contacts with counterpart secretariats in other developing regions. These contacts have taken several forms. The commonest form used is exchange of visits between the headquarters of counterpart secretariats. The other form consists of using the opportunity of participating in joint global meetings. This creates an opportunity of exchanging and sharing experiences. The third and the one on which little information is available, is through an exchange of written materials produced by respective secretariats on their respective activities.

53. A number of secretariats of economic groupings in Latin America and the Caribbean have received and played host to representatives of the secretariats of African economic groupings (ECOWAS, MACH, ACMS). Similarly with respect to a few secretariats in the Asian region such as the Association of South-East Asian Nations (ASEAN). However, visits to secretariats of African economic groupings by counterparts in both the Latin American and the Caribbean and also the Asian developing regions have been rather rare. The only one on record was that received by ECOWAS from the South Pacific Economic Council (SPEC). This particular mission was made possible as a result of assistance provided by the Commonwealth secretariat.

54. There are a few difficult areas which surround these contacts. Most of these will be the subject of the third and final chapter of this paper which considers possible future action.

55. The lack of adequate communication and sharing of experiences among secretariats of economic groupings of developing countries is quite evident. It has very telling adverse effects. This is borne out in some instances, by the fact that it is not uncommon to observe certain economic groupings tending to repeat or apply some failed co-operation experiments of their counterparts both in the same or of another developing region. There is also the question of unnecessary waste of already limited resources as a result of duplicating certain institutions instead od agreeing to maximise their mutual interests by simple sharing a number of common facilities.

56. Perhaps sufficient time has elapsed to require a fresh look at certain aspects connected with theories of economic co-operation among developing countries. This could include a re-examination of some of the merits or demerits of the concept of creating highly centralized or decentralized institutional structures. Some of these vexing questions could be reviewed against whatever progress may have been achieved since the first session of the Working Party and the deliberations thereof.

(c) Support provided jointly by the OAU and ECA secretariats

57. There is no need to belabour the fact that developing Africa is by and la ge relatively least developed among all the developing regions. However, the fore oing analysis points to certain welcome trends, especially the ones intended to tack e the causes of that sad state of affairs. It is in the light of the above that he various constituent parts of the African region encompassing the secretariats o economic groupings are assisting their member States in taking corrective measu es intended to bring about self-sustained economic development through collective self-reliance.

58. These two secretariats in collaboration with others have endeavoured to provide on a continuing basis the necessary backstopping to the secretariats of African economic groupings. The OAU and ECA have also been instrumental in the emergence, rather than creation of several economic groupings in the African region. They, in addition, undertake studies on specific subjects for the benefit of the African representatives and the region as a whole. They also help convene regional meetings at which issues of economic co-operation with other developing regions are analysed in greater detail. The fact that the developing African region has been unable to hold a regional seminar, workshop or symposium of representatives of STOs has not weakened the resolve of the two secretariats to continue assisting the secretariats of economic groupings to participate effectively in ECDC activities.

59. Perhaps it is necessary to conclude this chapter with a brief account of assistance of the two secretariats towards bringing developing Africa closer to other developing regions. Significant events in this area apart from work connected with activities of the Group of 77 is the collaboration with other regional economic commissions.

60. At the meetings of ECA and ECLA member States in February and May 1977, resolutions 302(XIII) and 363(XVII) were respectively adopted. These resolutions relate to strengthening of existing technical co-operation arrangements and promotion

of new programmes of technical co-operation among developing countries of the two regions, using for that purpose, their respective commissions within the framework of their mandates and available resources. These expressions were subsequently endorsed by ECA resolution 355(XIV) and ECLA resolution 387(XVIII) of March and April 1979 respectively. Pursuant to these resolutions, the secretariats of the two commissions agreed on the need to design concrete projects for joint implementation, beginning with three key sectors viz (i) interregional trade, (ii) manpower development and (iii) science and technology.

61. Studies prepared for this project are the basis of the joint Meeting of Governmental Experts from Africa and Latin America on Economic and Technical Co-operation held in Addis Ababa, Ethiopia from 1 to 5 June 1982.

62. Similar developments are also under way under the aegis of the ECA in close collaboration with other secretariats. They include several jointly executed interregional trade and economic co-operation projects between ECA and ESCAP for the developing African and Asian developing countries on one hand and between ECA and ECWA for the developing African and Western Asian countries on the other hand. The latter category of these joint activities also encompass the promotion of Afro-Arab co-operation pursuant to the decision taken by the African and Arab Heads of State and Government at their first Summit on Afro-Arab Co-operation in March 1977.

63. In the meantime, the Economic Commission for Africa with the support of funds provided by the Netherlands Government in collaboration with the other United Nations regional economic commissions (ESCAP and ECLA), UNCTAD and the International Trade Centre(ITC) has assisted a certain number of African countries business enterprises and/or individual representatives of Chambers of Commerce to establish practical contacts with counterparts in other developing regions. Through this modest effort, African business houses have been able to explore export opportunities through actual visits in the markets of other developing regions of Asia and the Far East and the Latin American and Caribbean regions.

III. CONSIDERATION OF POSSIBLE FUTURE GUIDELINES

A. An evaluation

64. A number of issues deserve special consideration in the formulation of future guidelines for ECDC programmes. First, among these is whether or not a need exists for such guidelines; second, the foundamental objectives of ECDC, globally, regionally and subregionally measured against the objectives of regional and subregional economic groupings of developing countries; and the impact of developments in the socio-economic fields on the concept of economic co-operation among developing countries.

65. The issue of need for guidelines should be considered on the basis of the evaluation of the programme of priorities that was first adopted by the Mexico Conference on ECDC. That programme selected for priority work the establishment of a global system of trade preferences among developing countries (GSTP); the establishment of associations of state trading organizations of developing countries (STOs); and the establishment of multinational marketing enterprises among developing countries. Of recent, attention has also been given to the establishment of payments arrangements among developing countries.

66. A full evaluation of the extent of implementation of these priority areas and its impact cannot be accommodated in this brief report. An observation that can not be avoided, however, is the preponderant emphasis given to trade issues in these priority areas for ECDC, which appears to be more a reflection of the areas of competence, speciality or interest of UNCTAD (the UN body that has been in the forefront in this field) than an indication of the nature of socio-economic problems that confront the developing countries, that need to be tackled through co-operative effort among them. The importance of action in these areas is certainly recognized since they address the problem of foreign exchange earnings through trade among developing countries. What was taken for granted was the

capacity of the developing countries to generate a wide range of export products beyond the traditional agricultural raw materials and minerals. It is in fact this relatively underdeveloped capacity and capability that constitute the core of the development problems facing the developing countries.

67. Another observation from the implementation of the areas of priority action is the great amount of studies that has been undertaken or is to be undertaken, especially with regard to the GSTP - the first in the list of priorities. The point is not so much that there are areas for ECDC where studies are not required, as the fact that the more protracted the studies, the longer the benefits of ECDC activities are delayed. This would not pose a problem if the impact of the worsening international economic crisis could be averted or delayed. It is true that only five years have elapsed since the adoption of the priority areas and the likely benefits to the developing countries. It should be emphasized here that implementation is primarily by developing countries (since ECDC is in fact for them); international and regional organizations are only to provide the needed support to the effort of developing countries.

68. The objectives of ECDC, as agreed at the Third Ministerial Meeting of the Group of 77 in Manila, February 1976, are:

(a) The control of their means of development through the effective control by the developing countries of their wealth, natural resources, systems of production and other aspects of their economic activities;

(b) Expansion and diversification of their agricultural production in order to achieve global self-sufficiency in food;

(c) Production of their essential agricultural inputs, particularly fertilizers and pesticides;

(d) Expansion of their export markets and increase of their export earnings;

(e) Expansion at all stages of the processing and transformation of their raw materials;

(f) Expansion and diversification of their export of manufactures and semi-manufactures to other developing countries and to the markets of the developed countries;

(g) Overall increase in their level of technological development, particularly by improving their technological capacity;

(h) Improvement of the human environment;

(i) Technical co-operation among developing countries, including technical co-operation in the field of all sources of energy;8/

69. In order to achieve these objectives, the Manila Ministerial Conference of the Group of 77 called for a programme of action consisting of "interrelated measures designed to remove constraints imposed by limited skills, inadequate technology, scarcity of investment funds, small domestic markets etc".9/ The conference further emphasized that "the programme of economic co-operation should contribute to the acceleration of the economic development of the developing countries and to the diversification of their economic structure".10/

70. A brief comparison between these global objectives of ECDC and the objectives of regional and subregional economic groupings of developing countries reveals much mutuality of interest. In the African region for instance, the Economic Community of West African States (ECOWAS) emphasises, as its main objectives, the

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8/ The Manila Declaration and Programme of Action. Annex I (A).

9/ and 10/ Ibid.

promotion of co-operation and development in all fields of economic activity, particularly industry, transport and telecommunications, energy, agriculture, natural resources, commerce money and finance. The West African Economic Community CEAO) also emphasises accelerated development of agriculture, cattle breeding, fisheries, industry, transport and communications etc. The Economic Community of the Great Lakes (CEPGL) emphasises the promotion and intensification of trade exchange and movement of persons. The recently concluded Preferential Trade Area for Eastern and Southern African States (PTA) stresses trade, customs, industry, transport and communications, agriculture, natural resources etc.

71. Finally, the establishment by the Maghreb Permanent Consultative Committee (CPCM) of centres for industrial studies, tourism, post and telecommunications etc., indicate the broad objectives of the CPCM.

72. A conclusion that could be drawn from a comparison of the objectives of ECDC at all levels, and the areas for priority action is that the relation between them does not seem to be such as to directly enhance the accelerated development of the African region. In other words, the priority areas do not tackle the basic development problems confronting the African region, especially in the context of the requirements of effective implementation of the Lagos Plan of Action.

73. For African countries the adoption of the Lagos Plan of Action and the Final Act of Lagos in April, 1980, was indeed a major development in that these documents embody the decisions and commitment of African Heads of State and Government regarding the strategy for growth and socio-economic development in Africa up to the year 2000. The objective of the LPA is the gradual realization of self-reliant and self-sustaining growth and development through collective action (co-operation). Such collective action (regional and sectoral integration) is to culminate in an African Economic Community by the year 2000. The emphasis in the Plan is that the purpose of production of all types should be the satisfaction of internal demand, in the first instance (of both intermediate and finished goods), and to export the surplus in order to obtain in the long run, factor complementarities through regional and interregional trade.

74. For the African region therefore, economic growth must consist of physical increases in the outputs of goods and services to meet the needs of the mass of the people, while economic development must be seen in terms of both the structural transformation of the economy and changes in the composition of goods.

75. The basic problem that emerges from above is whether, and to what extent, programmes of ECDC can be made to contribute more positively to the common objectives of all developing countries, namely their accelerated self-sustained development, through collective self-reliance.

76. Thus, the high priority attention given in the current ECDC programme to trade liberalization ought to be evaluated with the above background, as trade on its own will not bring about the type of growth and development envisaged in the Lagos Plan of Action. To put it differently, the formulation of possible future guidelines for ECDC programmes should take into account the performance of the current programmes and the underlying objectives of ECDC nationally, sub-regionally, interregionally and regionally.

77. The core economic sectors that ECDC programmes should also concentrate on, particularly from the stand point of the African region are food and agriculture, industry, natural resources, science and technology, transport and communications, trade and finance. Immediate and medium-term action should be formulated for these sectors, particularly actions that reinforce each other and contribute in an integrated manner to the achievement of the objectives of accelerated economic growth and development.

78. The agenda items for the second Session of the Working Party on Trade Expansion and Regional Economic Integration among Developing Countries include co-operation in industrial and agricultural production, including joint investments in multinational production and marketing enterprises. The issues involved here are very important and call for the formulation of integrated programmes and action in order that developing countries can reap maximum benefit

from these broad areas. The basic orientation should consist of the development of co-operative action for building up capabilities and capacities for the various activities involved, at the national and multinational levels. Since industrial production should be planned on the basis of the natural resources endowment, this particular agenda item should be slightly expanded to include the production and utilization of natural resources.

B. Action areas

79. The basic objective in these areas should be a reorientation of ECDC programmes, or the formulation of other programmes to meet the commonly agreed objectives of ECDC. Special programmes should therefore be formulated for co-operation in the fields of agriculture and food, industry and natural resources.

(i) Multinational production - given the small size of most national markets and the lack of complementary factor endowments, multinational co-operation is very important for the realization of national and collective self-reliance. Such co-operation would be very much enhanced if certain basic agreements are concluded; like industrial co-operation agreements; agreement on trade in natural resources (in particular industrial raw materials). The preparation of draft model agreements should be given priority;

(ii) Joint investment - the major issue here is the mobilization of needed financial resources for investment projects. Co-operation in this field is indeed crucial and goes beyond the declarations of commitment, principles etc. While some developing countries may wish to participate directly in investment projects in other developing countries (equity participation), others may prefer to lend money (on a bilateral basis or through their development banks). It

would be necessary to envisage other possibilities and to prepare model co-operation agreements to cover all of them;

(iii) Related support services - co-operation among developing countries should also cover the essential support services such as consultancy, preparation of feasibility studies, management, marketing, manpower development, institution building etc; the objective being to improve, strengthen or build up capabilities at the national level for supplying these services.

C. Support by the secretariats of international regional and subregional organizations

80. This support should consist of a careful disaggregation of the programmes suggested above, into detailed components and suggestion on actions required; the preparation of studies and reports on specific issues, provision of facilities for meetings and servicing meetings organized for representatives of developing countries and their institutions. It therefore goes without saying in the light of the above that these same organizations must be prepared to readjust their work programmes in accordance with the requirements of these programmes.